

## Message Text

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ACTION EB-08

INFO OCT-01 ARA-14 ISO-00 AID-05 CIAE-00 COME-00

FRB-01 INR-10 NSAE-00 USIA-15 TRSE-00 XMB-04

OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 L-03 H-02

NSC-05 SS-15 STR-07 CEA-01 PA-02 OPR-02 A-01

FSE-00 ABF-01 /111 W

-----012870 170826Z /17

R 161907Z MAR 78

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 8514

INFO/RUESBA/AMEMBASSY BUENOS AIRES 5051

AMEMBASSY BRASILIA

AMCONSUL SAO PAULO

AMEMBASSY LA PAZ

AMEMBASSY LIMA

UNCLAS SANTIAGO 1874

E. O. 11652: N/A

TAGS: EFIN, AFIN, ALOW, CI

SUBJECT: FEBRUARY - INFLATION, MONEY SUPPLY AND IMPORT REGISTRATION  
TRENDS

1. CPI. THE CHILEAN CONSUMER PRICE INDEX (CPI) ROSE 2.4 PERCENT  
IN FEBRUARY. THIS COMPARES WITH A RISE OF 1.8 PERCENT IN JANUARY.  
INFLATION THUS FAR DURING 1978 TOTALS 4.3 PERCENT. THIS FIGURE  
COMPARES FAVORABLY WITH THE 12.1 PERCENT FOR THE SAME PERIOD IN 1977.

2. THE PRICE ACCELERATION OCCURRED PRIMARILY IN THE FOOD  
WHICH ACCOUNT COMPONENT FOR 1.2 PERCENT OF THE 2.4 PERCENT RISE.  
THE REMAINDER RPERESENTS AN INCREASE IN HOUSING 0.4 PERCENT;  
CLOTHING 0.3 PERCENT; AND MISCELLANEOUS 0.5 PERCENT.

3. INFLATION MEASURED OVER A 12-MONTH PERIOD NOW STANDS AT  
52.1 PERCENT. IFN ANNUALIZED, 1978 INFLATION WOULD BE 28.7  
PERCENT. A LINEAR TREND STARTING FROM MARCH 1977 THROUGH  
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FEBERUARY 1978 INDICATES THAT INFLATION DURING 1978 COULD BE 34.5  
PERCENT. THIS FIGURE IS ON THEHIGH END OF GOC PREDICTIONS.  
INFLATIONARY EXPECTATIONS WERE FAVORABLY AFFECTED BY THE  
FEBRUARY 3 FIXING OF THE EXCHANGE RATE FOR THE FINALL 11 MONTHS  
OF 1978. AS A RESULT MOST OBSERVERS NOW PREDICT INFLATION  
OF BETWEEN 20-25 PERCENT IN 1978. WHILE THERE ARE SEVERAL VARIABLES  
THAT MAY EFFECT THIS ESTIMATE, THE EMBASSY BELIEVES THESE

PROJECTIONS TO BE REALISTIC.

4. MONEY SUPPLY (MI), IN NOMINAL TERMS MI INCREASED BY 5.9 PERCENT IN JANUARY AND 5.3 PERCENT IN FEBRUARY. AFTER DISCOUNTING FOR INTERNAL INFLATION THE REAL GROWTH OF MI IS 6.9 PERCENT. THE CENTRAL BANK HAS ANNOUNCED A 1978 MI GROWTH TARGET OF 50 PERCENT. THIS FIGURE IS KEYED TO THE PLANNED 7 PERCENT INCREASE EXPECTED IN GDP. AS A RESULT OF THE INCREASE IN MI DOMESTIC INTEREST RATES HAVE FALLEN FROM A NOMINAL RATE OF 7 PERCENT PRE MONTH AT THE END OF JANUARY TO 6 PERCENT ON FEBRUARY 28. AS OF MARCH 16 INTEREST RATES STOOD AT 4.26 PERCENT.

5. IMPORT REGISTRATIONS. IMPORTS IN JANUARY 2343 \$148 MILLION AND IN FEBRUARY \$114. MILLION. THESE AMOUNTS REPRESENT A 6 PERCENT INCREASE OVER THE SAME PERIOD IN 1977. EXPORTS (EXCLUDING COPPER) HAVE GROWN 19.8 PERCENT OVER JANUARY - FEBRUARY 1977. RELATIVELY MORE EXPORTERS ARE ASKING THE CENTRAL BANK TO BUY THEIR FOREIGN EXCHANGE IN RETURN FOR PESOS. RELATIVELY FEWER IMPORTERS ARE TURNING PESOS INTO THE CENTRAL BANK IN ORDER TO BUY FOREIGN EXCHANGE. THE NET IS AN INCREASE IN THE MONEY SUPPLY, WHICH SHOULD EASILY BE ABSORBED BY A HIGHER LEVEL OF ECONOMIC ACTIVITY.  
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## Message Attributes

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